

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Activity Status Report
Credit Enhancement Program

ITEM NUMBER: 9

ATTACHMENT(S): 2

ACTION: _____

DATE OF MEETING: August 5, 1998

INFORMATION: X

PRESENTER(S): Mr. Rose

EXECUTIVE SUMMARY

STRS has been selected to provide a Master Letter of Credit totaling \$5.8 million on behalf of Delta Tau Delta of Northridge, California. STRS will be wrapping a bank. The transaction is expected to close in August.

STRS is providing credit enhancement supporting several transactions for the City of Pasadena. STRS has closed on transactions supporting the Los Robles Parking Facility (\$9.9 million) and the Rose Bowl projects (\$15.6 million). The \$20 million (50% of the total) credit enhancement to support the Pasadena Fire and Police Retirement System (FPRS) pension obligation bonds is expected to close over the next several months.

The Western Waste & Sanifill transactions (both companies since acquired by USA Waste), totaling \$14.8 million, are being refinanced with long term fixed rate debt. The STRS commitment will be replaced with these refinancings over the next several months.

1. **City of Pasadena - Pasadena, CA**

STRS has been selected to provide \$45.5 million in credit enhancements for the City of Pasadena for the following transactions:

	AMOUNT (<u>\$MIL</u>)	STRS (<u>\$MIL</u>)
<i>ROSE BOWL (one LOC covers both issues)</i>		
1991 COPS (original issue of \$12.7 Mil)	\$10.6	\$5.3
1996 COPS (original issue of \$21.2 Mil)	\$20.6	\$10.3
<i>LOS ROBLES AVENUE PARKING FACILITY</i>		
1987 cops (original issue of \$20.2 Mil)	\$19.8	\$9.9

PENSION OBLIGATION BONDS

Series 1998	\$40.0	\$20.0
<u>TOTAL</u>	\$91.0	\$45.5

The Los Robles and Rose Bowl projects have closed. The Pasadena Fire and Police Retirement System Pension Obligation Bonds are expected to close over the next several months.

2. Delta Tau Delta (Northridge, Ca)

Delta Tau Delta is a manufacturer of motion controllers for machine tools and high tech specialized instrumentation. Delta Tau Delta's major customers are American Can, Boeing, Cooper Tire, Coburn Optical, Dover Instruments, Ford Motor, M&M/Mars, G.E. Aircraft, General Motors, Hewlett Packard, Hughes Aircraft, IBM, Fuji, Honda, Baldor, and Siemens.

The project will include the acquisition and rehabilitation of a 121,000 sq. ft. industrial building and new equipment purchase. The land, 5.14 acres, has already been purchased with other short term financing. Rehabilitation will require the build-out of 35,000 sq. ft. of offices, lowering of warehouse ceiling, upgrading the air conditioning system, and adding an elevator and manufacturing related work stations.

The project costs to be paid from bond proceeds include: acquisition of existing building, \$4,500,000; rehabilitation of existing building, \$1,000,000; and the remaining amount will be used for new equipment purchase.

Delta Tau Delta currently employs 100 people. The company expects to create 126 new skilled jobs. STRS will wrap a bank for this transaction.

3. Western Waste (Torrance, Ca) & Sanifill Inc (Novato Project) (Since acquired by USA Waste).

STRS provided letters of credit to support \$9.7 million in tax exempt pollution control bonds for Western Waste in 1994 and \$5.1 million in tax exempt pollution control bonds for Sanifill Inc. in 1995. USA Waste Industries acquired both of these entities over the past two years and is in the process of issuing new fixed rate securities to replace the outstanding commitments currently enhanced by STRS. Over the next couple of months, these transactions will be financed and the commitments will be replaced.

STRS CREDIT ENHANCEMENT PROGRAM

PROGRAM SUMMARY AS OF JUNE 30, 1998

Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1997 - 98 Fee Income	Fee Income To Date
Port of Long Beach	Liquidity	Jun-94	Feb-00	\$75,000,000	\$0	\$75,000,000	\$57,402	\$147,012
Bridge - Richmond Townhomes	Credit	Aug-94	Feb-97	\$0	\$0	\$0	\$0	\$15,096
USA Waste Industries	Credit	Nov-94	Nov-99	\$9,764,121	\$0	\$9,764,121	\$46,786	\$180,899
Sanifill, Inc.	Credit	Oct-95	Oct-00	\$5,000,000	\$85,479	\$5,085,479	\$43,809	\$43,809
Pt. Loma College	Credit	Aug-96	Aug-00	\$25,000,000	\$369,863	\$25,369,863	\$140,133	\$291,073
City of Visalia (California)	Credit	Sep-96	Sep-01	\$3,490,000	\$72,286	\$3,562,286	\$5,762	\$26,802
Buck Research on Aging	Credit	Dec-96	Dec-99	\$27,500,000	\$397,808	\$27,897,808	\$183,854	\$276,279
LA Fairplex	Credit	Jul-97	Jul-01	\$17,900,000	\$698,224	\$18,598,224	\$111,342	\$111,342
San Diego Unified Port District (20)	Credit	Oct-97	Oct-02	\$35,000,000	\$1,365,243	\$36,365,243	\$25,253	\$25,253
San Diego Unified Port District (21)	Credit	Oct-97	Oct-02	\$15,000,000	\$585,104	\$15,585,104	\$12,753	\$12,753
Pasadena Parking Authority	Credit	Jan-98	Jan-03	\$9,909,167	\$0	\$9,909,167	\$5,269	\$5,269
Pasadena Rosebowl (22)	Credit	Jun-98	Jun-01	\$15,600,000	\$276,956	\$15,876,956	\$0	\$0
Adventist West	Credit	Feb-98	Feb-05	\$114,500,000	\$1,693,973	\$116,193,973	\$54,183	\$54,183
CSCDA - IDB's								
Series 1994B								
Propak of California	Credit	Nov-94	Nov-00	\$3,210,000	\$71,763	\$3,281,763	\$7,624	\$45,177
J. Michelle/Edie Lee	Credit	Nov-94	Nov-00	\$2,840,000	\$63,492	\$2,903,492	\$7,421	\$47,607
Pasco Scientific	Credit	Dec-94	Dec-00	\$2,825,000	\$63,156	\$2,888,156	\$7,783	\$46,036
American River Packaging	Credit	Dec-94	Dec-00	\$1,765,000	\$39,459	\$1,804,459	\$5,503	\$29,012

Lance Camper Manuf.	Credit	Dec-94	Dec-00	\$3,835,000	\$85,736	\$3,920,736	\$10,605	\$56,026
CSCDA - IDB's Series 1989-90								
Intermountain Trading	Credit	Feb-95	Feb-01	\$320,000	\$7,154	\$327,154	\$1,908	\$7,226
Andercraft Products	Credit	Feb-95	Feb-01	\$850,000	\$19,003	\$869,003	\$6,124	\$22,907
Sunclipse, Inc. (alhambra)	Credit	Feb-95	Feb-01	\$3,200,000	\$71,540	\$3,271,540	\$12,329	\$40,752
Sunclipse, Inc. (union city)	Credit	Feb-95	Feb-01	\$2,135,000	\$47,730	\$2,182,730	\$8,466	\$30,427
Busseto Foods, Inc. (Rapelli of CA)	Credit	Mar-95	Mar-01	\$2,500,000	\$55,890	\$2,555,890	\$9,520	\$32,075
AHNNN, Inc.	Expired. Redeemed as of Sept-97.			\$0	\$0	\$0	\$970	\$9,416
Zarn, Inc.	Credit	Mar-95	Feb-01	\$970,000	\$21,685	\$991,685	\$3,714	\$19,630
Marcel & Marge Schurman	Credit	Mar-95	Feb-01	\$1,725,000	\$38,564	\$1,763,564	\$5,686	\$24,306
Charles & Loralie Harris	Credit	Mar-95	Feb-01	\$2,440,000	\$54,549	\$2,494,549	\$7,632	\$32,338
American Zettler	Credit	Mar-95	Mar-01	\$2,145,000	\$47,954	\$2,192,954	\$6,481	\$24,298
Aqua Serv Engineering	Credit	Mar-95	Mar-01	\$1,540,000	\$34,428	\$1,574,428	\$7,978	\$32,479
Contech Engineering Prod.	Credit	Mar-95	Mar-01	\$1,440,000	\$32,193	\$1,472,193	\$4,139	\$17,278
Evapco, Inc.	Credit	Mar-95	Mar-01	\$540,000	\$12,072	\$552,072	\$1,705	\$7,291
Florestone Products Co.	Credit	Mar-95	Mar-01	\$1,615,000	\$36,105	\$1,651,105	\$4,612	\$20,057
Grundfos Pumps Company	Credit	Mar-95	Mar-01	\$6,000,000	\$134,137	\$6,134,137	\$16,467	\$61,670
Instrument Specialities Co.	Credit	Mar-95	Mar-01	\$745,000	\$16,655	\$761,655	\$2,260	\$10,954
McCain Citrus	Credit	Mar-95	Mar-01	\$3,000,000	\$67,068	\$3,067,068	\$7,197	\$27,516
Mc Elroy Metal Mills, Inc.	Credit	Mar-95	Mar-01	\$660,000	\$14,755	\$674,755	\$2,030	\$10,535
NRI, Inc.	Credit	Mar-95	Mar-01	\$1,575,000	\$35,211	\$1,610,211	\$4,504	\$18,041
W & H Voortman, Inc.	Credit	Mar-95	Mar-01	\$2,520,000	\$56,338	\$2,576,338	\$6,320	\$24,480
Image Laboratories, Inc.	Expired. Redeemed as of Dec-96.			\$0	\$0	\$0	\$0	\$26,854
Allwire, Inc.	Credit	Mar-95	Mar-01	\$330,000	\$7,378	\$337,378	\$2,425	\$8,101
Fairway Molds, Inc.	Credit	Mar-95	Mar-01	\$660,000	\$14,755	\$674,755	\$5,399	\$17,818
S & P Investments	Credit	Mar-95	Mar-01	\$1,250,000	\$27,945	\$1,277,945	\$5,808	\$19,038
Northwest Pipe & Casing	Credit	Apr-95	Apr-01	\$3,250,000	\$72,658	\$3,322,658	\$13,064	\$42,771
Reliance Upholstery	Credit	Apr-95	Apr-01	\$300,000	\$6,707	\$306,707	\$2,438	\$8,354
Zieman Manufacturing	Credit	Apr-95	Apr-01	\$455,000	\$10,172	\$465,172	\$2,990	\$9,036

CSCDA - IDB's

Series 1995A

Carvin Corporation	Credit	Jun-95	Jun-00	\$2,420,000	\$54,102	\$2,474,102	\$7,302	\$33,057
Leegin Creative Leather Prod.	Expired. Redeemed as of Dec-97.			\$0	\$0	\$0	\$3,220	\$19,469
Kennerley-Spratling	Credit	Jun-95	Jun-00	\$3,065,000	\$68,522	\$3,133,522	\$9,052	\$39,609
Vantage Properties	Credit	Jun-95	Jun-00	\$1,690,000	\$37,782	\$1,727,782	\$5,321	\$22,364
BNG Properties, LLC	Expired. Redeemed as of Aug-96.			\$0	\$0	\$0	\$0	\$12,253
Staub Metals, Inc.	Credit	Aug-95	Jun-00	\$1,280,000	\$28,616	\$1,308,616	\$4,350	\$19,387
Aerostar Partners, Inc.	Credit	Sep-95	Sep-00	\$4,645,000	\$103,844	\$4,748,844	\$17,676	\$50,702
Walker Spring and Stamping Corp.	Credit	Sep-95	Sep-00	\$3,640,000	\$81,376	\$3,721,376	\$14,025	\$40,804
Encore Video, Inc.	Credit	Sep-95	Sep-00	\$780,000	\$17,438	\$797,438	\$3,481	\$10,338
EuroDesign Cabinets, Inc.	Credit	Sep-95	Sep-00	\$1,040,000	\$23,250	\$1,063,250	\$4,455	\$13,633
South Bay Circuits, Inc.	Credit	Sep-95	Sep-00	\$1,950,000	\$43,595	\$1,993,595	\$7,765	\$23,200
W & H Voortman, Inc.	Credit	Sep-95	Sep-00	\$1,080,000	\$24,145	\$1,104,145	\$4,555	\$13,280
Red Line Oil Co.	Credit	Nov-95	Nov-00	\$1,095,000	\$24,480	\$1,119,480	\$5,259	\$15,876
Johansen Dielectrics	Credit	Nov-95	Nov-00	\$2,700,000	\$60,362	\$2,760,362	\$10,355	\$32,887
Peet's Coffee	Credit	Dec-95	Dec-00	\$3,500,000	\$78,247	\$3,578,247	\$13,252	\$37,108
Safariland	Credit	Sep-96	Sep-01	\$4,000,000	\$82,849	\$4,082,849	\$8,732	\$16,933
Control Air Conditioning	Credit	Jun-97	Jun-01	\$5,000,000	\$111,781	\$5,111,781	\$27,348	\$34,984

CSCDA - IDB

Series 1996M

Cordeiro Vault Co., Inc.	Credit	Dec-96	Dec-00	\$1,130,000	\$25,262	\$1,155,262	\$6,015	\$10,392
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CSCDA - IDB

Series 1996M

Fibrebond West, Inc.	Credit	Dec-96	Dec-00	\$8,000,000	\$178,849	\$8,178,849	\$30,223	\$55,923
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Confirmation #1

Suncreek Apts.	Credit	Apr-96	Apr-01	\$6,800,000	\$78,247	\$6,878,247	\$34,869	\$102,236
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Confirmation #2

CMIG LLC	Credit	Nov-97	Nov-00	\$1,000,000	\$14,795	\$1,014,795	\$3,360	\$3,360
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Confirmation #3								
Monrovia Redevelopment Agency	Credit	Jan-98	Jan-01	\$8,600,000	\$229,727	\$8,829,727	\$19,694	\$19,694
Confirmation #4 & #5								
First Class Foods / Alliance	Credit	Apr-98	Apr-03	\$3,750,000	\$55,479	\$3,805,479	\$5,708	\$5,708
Confirmation #6								
Western Saw	Credit	Jun-98	Jun-03	\$3,600,000	\$53,260	\$3,653,260	\$5,480	\$5,480
TOTAL:				\$481,068,287	\$8,287,198	\$489,355,485	\$1,129,144	\$2,657,952

note: aerostar #9 commitment: 4,895,000 as of nov 5, 1996

STRS CREDIT ENHANCEMENT PROGRAM**BANK EXPOSURE****PROGRAM SUMMARY AS OF JUNE 30, 1998**

Deal	Commitment	Interest	Total	Portfolio Percentage
PARTNER INSTITUTION				
Port of Long Beach				
Canadian Imperial Bank of Commerce (CIBC)	\$75,000,000	\$0	\$75,000,000	15.59%
Buck Research Center on Aging (CIBC)	\$27,500,000	\$397,808	\$27,897,808	5.72%
USA Waste Industries				
Bank of California	\$9,764,121	\$0	\$9,764,121	2.03%
Sanifill, Inc.				
Texas Commerce Bank	\$5,000,000	\$85,479	\$5,085,479	1.04%
San Diego Unified Port District (CIBC)	\$35,000,000	\$1,365,243	\$36,365,243	7.28%
San Diego Unified Port District (CIBC)	\$15,000,000	\$585,104	\$15,585,104	3.12%
Pasadena Parking Authority (CIBC)	\$9,909,167	\$0	\$9,909,167	2.06%
Pasadena Rose Bowl (CIBC)	\$15,600,000	\$276,956	\$15,876,956	3.24%
Adventist West (MBIA)	\$114,500,000	\$1,693,973	\$116,193,973	23.80%
DIRECT BANK EXPOSURE				
<u>Letter of Credit Bank:</u>				
Union Bank of California, N.A.	\$36,135,000	\$807,840	\$36,942,840	7.51%
Long Term Cr Bank of Japan	\$25,000,000	\$369,863	\$25,369,863	5.20%
Tokai Bank	\$17,900,000	\$698,224	\$18,598,224	3.72%
Bank of America	\$16,655,000	\$372,342	\$17,027,342	3.46%
Sanwa Bank of California	\$10,290,000	\$230,045	\$10,520,045	2.14%
Wells Fargo Bank	\$8,840,000	\$197,628	\$9,037,628	1.84%
First Commerce Bank	\$8,000,000	\$178,849	\$8,178,849	1.66%
Bank of Nova Scotia	\$6,600,000	\$147,551	\$6,747,551	1.37%
Imperial Bank of California	\$4,000,000	\$82,849	\$4,082,849	0.83%
The Fuji Bank, Limited	\$3,490,000	\$72,286	\$3,562,286	0.73%
Istituto Bancario San Paolo Di Torino Spa	\$2,500,000	\$55,890	\$2,555,890	0.52%
City National Bank	\$2,390,000	\$53,431	\$2,443,431	0.50%
Comerica Bank	\$1,950,000	\$43,595	\$1,993,595	0.41%
Mellon Bank	\$1,440,000	\$32,193	\$1,472,193	0.30%
Fleet Bank	\$1,280,000	\$28,616	\$1,308,616	0.27%
Societe Generale	\$970,000	\$21,685	\$991,685	0.20%
CoreStates Bank	\$745,000	\$16,655	\$761,655	0.15%
National Bank of Canada	\$660,000	\$14,755	\$674,755	0.14%
1st Business Bank	\$660,000	\$14,755	\$674,755	0.14%
NationsBank	\$540,000	\$12,072	\$552,072	0.11%
Suncreek Apts. (Confirmation #1)				
US Bank of California	\$6,800,000	\$78,247	\$6,878,247	1.41%
CMIG LLC (Confirmation #2)				
Santa Barbara Bank and Trust	\$1,000,000	\$14,795	\$1,014,795	0.21%
Monrovia Redevelopment Agency (Confirmation #3)				
General Bank	\$8,600,000	\$229,727	\$8,829,727	1.79%
First Class Foods / Alliance (Confirmation #4 & #5)				

City National Bank	\$3,750,000	\$55,479	\$3,805,479	0.78%
Western Saw (Confirmation #6)				
California United Bank	\$3,600,000	\$53,260	\$3,653,260	0.75%
Total Bank Exposure	\$481,068,287	\$8,287,198	\$489,355,485	100.00%